

# NEW JERSEY OFFICE OF THE INSPECTOR GENERAL

Mary Jane Cooper, Inspector General

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## Inspector General Issues Report on Meadowlands Remediation and Redevelopment Project

TRENTON – Inspector General Mary Jane Cooper today issued a detailed report of the results and recommendations of the Office of the Inspector General’s (OIG) review of the Meadowlands Remediation and Redevelopment Project (Project). Governor Jon S. Corzine requested that OIG conduct an investigation into the history of the Project’s financing as there was concern that the towns specifically impacted by the Project could be at risk of financial detriment as a result of their agreements with the private entity selected as the developer of the Project.

“Our review revealed significant misrepresentations of qualifications and financial support on behalf of the private entity contracted to perform the remediation and redevelopment of the Meadowlands project,” Inspector General Cooper said. “The project is a study in what can go wrong when a public body with high-minded public policy goals and compelled by its status to engage in fair dealing joins forces with a private entity whose primary goal is to maximize its profit and operates in a buyer beware atmosphere.”

The Project began as a landfill closure project with limited development and evolved into the largest remediation/development project ever undertaken in the State. However, control of the Project was placed in the hands of a small company with only approximately \$18.9 million in capital and run by financial managers and an geologist who were inexperienced in landfill closures.

The evidence collected during OIG’s investigation revealed the following conclusions:

- EnCap Golf Holdings, LLC (EnCap) was selected by the New Jersey Meadowlands Commission to close four landfills on the Meadowlands property and to remediate and develop the surrounding property based on overstated qualifications regarding its experience.
- At the time a contract was signed with EnCap to take ownership of the Meadowlands Project, its originally-stated financial backer for the Project was no longer financially supporting it.
- EnCap originally represented that it had ample private financing for the Project and would not require public financing, however, the change in its ownership interests rendered that representation inaccurate and the State was not notified about this.

- EnCap convinced the towns surrounding the immediate area of the Project to enter into financial agreements that would divert a substantial portion of revenue that would otherwise go to the towns and direct these funds to EnCap by representing that the agreements were necessary in order for the remediation and development to occur. EnCap did not reveal to the towns that it had requested and received adequate financial assistance from State entities to pay the entire cost of the remediation. Similarly, as EnCap negotiated the terms of the loans from the State, including the collateral that EnCap would pledge to the State, it did not notify the State of its negotiations with the towns, thus the State did not know of this source of substantial additional collateral.
- Evidence also indicates that EnCap proceeded with the project in a stutter-start, disorganized, and mismanaged operation. Further, evidence brings attention to a series of failed, broken, and mismanaged or unmanaged contracts.

“EnCap’s lack of relevant experience and limited financial risk permeated the Project throughout its history,” Inspector General Cooper wrote in the report. “The Project was mismanaged by EnCap as they hired consultants and project managers with the funds from their public financing, but appeared to have been absentee owners, often having only a few employees involved in the project.”

Based on the report’s findings, OIG recommends that in the future, there be:

- A State “Point Entity” assigned from the beginning stages of any public/private joint project, particularly when control of the project is handed over to the private partner.
- Lenders of public funds undertake a line item audit to determine how public funds were used. This will be beneficial in determining what occurred in this Project. The audit function should be performed under the guidance of the assigned “Point Entity”.
- This case should be reviewed by other government agencies particularly those involved in the Project to determine if other actions are required by them.

The Inspector General has referred this matter to the Division of Criminal Justice for its review and determination of whether any of the conduct revealed warrants criminal investigation.

During the course of its investigation, OIG gathered and reviewed over 60,000 pages of documents and interviewed more than 75 individuals, some on multiple occasions, who were involved in the Project. OIG’s report does not, however, include a thorough review of actions taken since Governor Corzine’s request for an investigation; nor does it include a current update of the Project. The historical evidence gathered during OIG’s review, OIG’s analysis of the evidence, and OIG’s conclusions in the report are relevant to the current status of the Project since many of the issues have not been resolved and many of the entities that were involved in the Project historically are still involved as of the date of the report.

*Due to the length of OIG’s report, the document is available in full, online at the OIG’s web site, [www.state.nj.us/oig](http://www.state.nj.us/oig).*

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